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May 29, 2008

VIA EXPRESS MAIL

Ms. Stephanie Stumbo, Executive Director
Kentucky Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602-0615

RE: In the Matter of:
AN INVESTIGATION OF THE ENERGY AND REGULATORY ISSUES IN SECTION
50 OF KENTUCKY'S 2007 ENERGY ACT, CASE NO. 2007-00477

Dear Ms. Stumbo:

Enclosed for filing in the above-captioned case are an original and ten (10) copies of the Post-Hearing Brief of the Association of Community Ministries ("ACM") and People Organized and Working for Energy Reform ("POWER").

Please confirm your receipt of this filing by placing the stamp of your office with the date received on the enclosed additional copy and return it to me in the enclosed self addressed stamped envelope.

Thank you for your assistance in this matter. Please contact me if you need further information.

Sincerely,

Lisa Kilkelly
Attorney for POWER and ACM

Cc: parties of record

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MAY 30 2008

**PUBLIC SERVICE
COMMISSION**



COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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MAY 30 2008

PUBLIC SERVICE
COMMISSION

In the Matter of:

AN INVESTIGATION OF THE)	
ENERGY AND REGULATORY)	ADMINISTRATIVE
ISSUES IN SECTION 50 OF)	CASE NO. 2007-00477
KENTUCKY'S 2007 ENERGY ACT)	

POST-HEARING BRIEF OF
ASSOCIATION OF COMMUNITY MINISTRIES
AND
PEOPLE ORGANIZED AND WORKING FOR ENERGY REFORM

Filed: May 30, 2008

I. INTRODUCTION

On November 20, 2007, the Kentucky Public Service Commission (“the Commission”) initiated this administrative case to investigate four energy and regulatory issues set forth by the Kentucky General Assembly in Section 50 of House Bill 1, enacted during the 2007 Second Extraordinary Session (“2007 Energy Act”). The four issues for investigation are:

1. Eliminating impediments to the consideration and adoption by utilities of cost-effective demand-management strategies for addressing future demand prior to Commission consideration of any proposal for increasing generating capacity;
2. Encouraging diversification of utility energy portfolios through the use of renewables and distributed generation;
3. Incorporating full-cost accounting that considers and requires comparison of life-cycle energy, economic, public health, and environmental costs of various strategies for meeting future energy demand; and
4. Modifying rate structures and cost recovery to better align the financial interests of the utility with the goals of achieving energy efficiency and lowest life-cycle energy costs to all classes of ratepayers.

The General Assembly directed the Commission to make recommendations regarding the above issues to the Legislative Research Commission (“LRC”) by July 1, 2008. To assist with its investigation, the Commission employed Overland Consulting as an expert consultant, made the six major jurisdictional electric utilities that own generation in Kentucky parties to the case and strongly encouraged other interested stakeholders to actively participate in the proceeding. The Association of Community Ministries (“ACM”) and People Organized and Working for Energy Reform (“POWER”) filed motions for full intervention based on their concerns about how the issues identified

by the General Assembly might affect low-income utility customers. The Commission granted ACM and POWER intervention on a joint basis by order dated January 8, 2008.

II. ARGUMENT

The Commission should alert the Legislative Research Commission that low-income Kentuckians will be adversely affected by any rate increases resulting from the issues under consideration in these proceedings and should consider additional assistance to low-income utility customers.

It is frequently recognized in Commission proceedings that electricity rates in Kentucky are relatively low. In past proceedings, the Commission has noted Kentucky's low electricity rates.¹ In its report filed in this case, Overland Consulting recognized that "for many years, Kentucky consumers have enjoyed electric rates that are among the lowest in the country."² Other parties to the case commented on Kentucky's low rates as well.³

It is not so frequently noted in Commission proceedings that the median income level of Kentucky residents is also among the lowest in the nation and that Kentucky poverty rates are among the highest in the nation. According to information published by the Census Bureau, in 2006, Kentucky ranked forty-fifth (45th) out of the fifty (50) states and District of Columbia in Median Household Income and also had the eighth (8th) highest percentage of people in poverty in the nation.⁴

¹ *In the Matter of Consideration of the Federal Energy Policy Act of 2005 Regarding Time-Based Metering, Demand Response and Interconnection Service*, Administrative Case No. 2006-00045, Order of December 21, 2006 at 10.

² Overland Consulting, Review of the Incentives for Energy Independence Act of 2007 Section 50, March 4, 2008 ("Overland Consulting Report") at 1.

³ Kentucky Utilities Co. and Louisville Gas and Electric Co. Response to Second Data Request of Commission Staff, Number 38; Direct Testimony of Andy McDonald on behalf of the Sierra Club at 4.

⁴ Direct Testimony of Marlon Cummings on behalf of ACM and POWER at 3; see U. S. Census Bureau, American Community Survey Reports, ACS-08, *Income, Earnings, and Poverty Data From the 2006 American Community Survey*, U. S. Government Printing Office, Washington D.C. 2007.

Kentucky's low electricity rates have helped some, but not all, low-income residents to afford utility service. Even at the current rates, many people struggle to pay for utility service and must seek help from emergency assistance agencies to avoid disconnections.⁵ As low-income advocates have testified in these proceedings, assistance agencies do not have sufficient funds to help all those currently in need and who would qualify for assistance.⁶

With the existing level of unmet need at current utility prices, the probability that utility rates may rise is alarming to low-income advocates. Although the timing and extent of rate increases are uncertain at this point, the information provided in this case strongly suggests that rates will increase. According to Overland Consulting, current prices are likely to rise for a number of reasons including recent rises in fuel costs, an aging generation system which will likely require major upgrades and replacement of some facilities, anticipated Federal legislation restricting carbon dioxide which will cause coal-fired generation costs to increase, customer growth and infrastructure investment.⁷

When utility rates increase, the demand for assistance from agencies providing emergency assistance to utility customers will increase as well. ACM and POWER urge the Commission to keep the needs of low-income utility customers in mind as it makes its recommendations to the LRC. The Commission should consider measures that could minimize the impact of rate increases on low-income customers such as through expansion of existing assistance programs and recommendations to the LRC for additional assistance, such as increased funding to help low-income customers.

⁵ Direct Testimony of Marlon Cummings at 3-4.

⁶ Direct Testimony of Marlon Cummings at 4; Direct Testimony of Thomas "Kip" Bowmar on behalf of Community Action Kentucky at 7.

⁷ Overland Consulting Report at 14.

III. CONCLUSION

The General Assembly has directed the Commission to examine its statutes and make recommendations on or before July 1, 2008 to the LRC regarding the four highly technical energy and regulatory issues as set forth above. The information provided in this administrative case indicates that there is a potential crisis looming for low-income utility customers if and when rates do begin to rise as a result of the various issues under consideration. ACM and POWER respectfully urge the Commission to make the LRC aware of the adverse effects of rate increases on low-income Kentuckians and to consider additional assistance to low-income utility customers to offset the impact of any such rate increases.

Respectfully Submitted,



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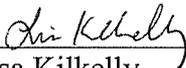
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MAY 30 2008

PUBLIC SERVICE
COMMISSION

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Post Hearing Brief of ACM and POWER was served on the following parties on the 29th day of May, 2008 by United States mail, postage prepaid.



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